

#### Directors

C. I. Allen  
J. A. Bergendahl  
B. Bolles  
J. C. Cameron  
W. D. Ford  
J. F. Jones  
D. I. Margolis  
D. C. Scott  
G. A. Strichman

Fairbanks Morse (Canada) Ltd.

#### Officers

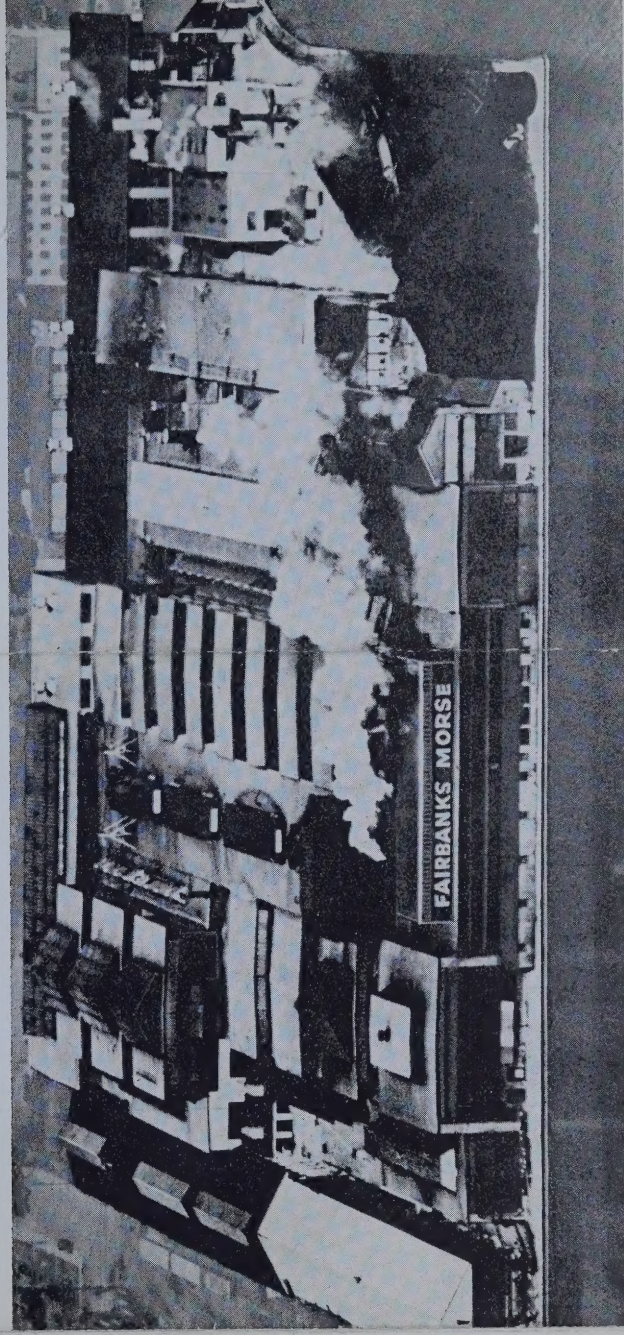
C. I. Allen, Chairman of the Board and President  
J. A. Bergendahl, Vice President  
J. W. Harris, Treasurer  
E. M. Gilmore, Secretary

#### Transfer Agents and Registrar

National Trust Company Limited  
Toronto, Ontario  
Montreal, Quebec

#### Auditors

Arthur Andersen & Co., Chartered Accountants





# Fairbanks Morse (Canada) Ltd.

## To the Shareholders:

Sales for the year 1966 at \$6,014,904 were lower than the \$6,739,851 achieved in 1965. The reason was a reduction of orders for diesel engines and industrial equipment. The order backlog stood at \$3,655,000 on December 31, 1966.

Earnings for the twelve months ended December 31, 1966, were \$351,619, an improvement of approximately 10% over the 1965 earnings. No income taxes are assessed on 1966 earnings due to the loss carry-forward provisions of The Income Tax Act. The earnings of \$351,619 are equal to \$1.41 per common share, compared to \$1.29 for last year.

As a result of the continuing improvement of operations evident in the increase of profits over the past four years, the accumulated deficit has steadily reduced. However, in consideration of the remaining deficit and the need to preserve working capital, no dividends were declared or paid during the year 1966.

An agreement between the Company and its bargaining employees was concluded recently. The agreement covers the two-year period from January 1, 1967, to December 31, 1968, and provides for increased employee welfare benefits and wage increases consistent with Canadian trends and requirements.

During the year the Company contributed \$198,566 to support its employee benefit programs which include pension, group insurance, hospitalization insurance, compensation insurance, unemployment insurance, holiday pay and vacations.

The Board of Directors wishes to express its appreciation for the continued support and co-operation received during the year from the Company's employees, shareholders and customers.

Submitted on behalf of the Board.

*R. V. Allen*

Chairman of the Board and President

April 12, 1967,  
Kingston, Ontario.

# Fairbanks Morse (Canada) Ltd.

## Balance Sheet — December 31, 1966

### Assets

#### CURRENT ASSETS:

Cash	\$ 166,283
Short-term investments, at cost	1,001,936
Accounts receivable, less allowance for doubtful accounts of \$47,895	1,702,089
Inventories, at the lower of cost (first-in, first-out) or market—	
Finished goods	\$ 468,533
Work in process	931,071
Raw materials	473,762
Prepaid expenses	1,873,366
23,563	
Total current assets	\$4,767,237
PLANT AND EQUIPMENT, at cost	\$3,823,479
Less—Accumulated depreciation	2,879,589
PATENTS	943,890
	1
	\$5,711,128

### Liabilities

#### CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 417,853
Accrued sales taxes	31,501
Payable to affiliate—Fairbanks Morse Inc (U.S.\$140,997)	152,669
Customers' advances on contracts	1,786,517
Total current liabilities	\$2,388,570

#### PROVISION FOR ESTIMATED COSTS OF PROGRAM FOR REORGANIZATION AND REHABILITATION OF MANUFACTURING FACILITIES

463,375

#### CAPITAL STOCK AND EARNED SURPLUS (DEFICIT):

Common shares, without nominal or par value—	
Authorized and issued, 250,000 shares	\$3,629,261
Earned surplus (deficit)—Balance, December 31, 1965	\$(1,121,697)
Net income including special credit	351,619 (770,078)
	2,859,183
	\$5,711,128

Approved on behalf of the Board:

J. A. BERGENDAHL, Director  
C. I. ALLEN, Director

# Fairbanks Morse (Canada) Ltd.

## Income Summary

### For the Year Ended December 31, 1966

NET SALES	\$6,014,904
INCOME BEFORE THE FOLLOWING CHARGES:	
Depreciation	\$60,962
Directors' remuneration	42,700
Income before income taxes	\$ 351,619
INCOME TAXES APPLICABLE TO ABOVE INCOME	173,000
Net income for the year	\$ 178,619
SPECIAL CREDIT—Elimination of income taxes, due to carry-forward of prior years' losses	173,000
Net income including special credit	\$ 351,619

### Auditors' Report

To the Shareholders,  
Fairbanks Morse (Canada) Ltd.:

We have examined the balance sheet of FAIRBANKS MORSE (CANADA) LTD. (a Canada corporation) as of December 31, 1966, and the income summary for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the financial position of Fairbanks Morse (Canada) Ltd. as of December 31, 1966, and the income summary presents fairly the information set forth therein for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.  
Chartered Accountants.

Toronto, Ontario,  
February 8, 1967.